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Thank you Chairman Nesbitt, Representative Shirkey and Committee Members for letting us talk today.

My name is Jim Williams and I am a Senior Agent with Michigan-based EnerCom. With me is Doug Boyce, EnerCom's Vice President of Sales. I have been representing EnerCom for 8 years; and EnerCom has been around since 1998. EnerCom works with over 30 alternative suppliers of natural gas and electricity bringing the best in "Choice" and savings to its customers. EnerCom is here today representing over 1,200 accounts that are in the "Queue" awaiting the elimination of the electricity participation cap.

EnerCom appreciates the opportunity to share some points for consideration stemming from questions raised at the March 18 hearing:

Can a customer switch suppliers anytime and how much will it cost?

A customer may switch from one supplier to another, and they can switch to electric choice service for a period of time and then return to service from the regulated utility company. The customer's contract with an Alternative Electric Supplier (AES) may include terms and conditions covering the duration of the contract term, termination of the contract and requirements for switching to another AES. There may be a regulated utility company fee, if approved by the MPSC, to switch a customer from one electric supplier to another. Details regarding switching suppliers are included in the utilities' retail open access service tariffs.

Deregulated Energy Contracts and Pricing

EnerCom, and the Suppliers we represent, provide fixed rate and adjustable rate options for its customers' electric and natural gas supply needs, to allow companies to lock in their rates, savings and energy expenses for a set period of time, or to select an adjustable rate tied to the commodity markets.

What is a fixed price energy contract?

Fixed price energy contracts allow businesses the benefit of fixing their rate for an agreed-upon period of time. During this period of time, the rates will not increase. Fixed price energy contracts can help businesses plan their budget

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projections more accurately and protect its bottom line from rising energy costs or the threat of impending inflation.

The fixed price agreements from EnerCom's suppliers range from 6 months to 60 months. The terms and conditions of the contract may vary based on regional legislation and the individual customer's usage profile.

What is a variable price energy contract?

This rate is based off a margin or index and moves up and down as the market fluctuates. Customers that anticipate a poor or troubled economy usually choose a variable rate in the belief that the market may move towards a more favorable position. Variable rates are typically offered on a month-to-month agreement. Sophisticated customers often use a blend of fixed and variable pricing to try to take advantage of the best parts of both offerings.

A Customer Example:

I'd like to next tell you about one of my customers waiting in the Electric Choice Queue. I have personally enrolled several customers into the Queue and this is just one example. I have a customer in the Queue with a factory that uses 38 million kilowatt-hours each year. If this customer could participate in Choice they could be realizing savings of about \$750,000 each year! As this customer has told me, that level of savings would allow them to bring back laid off workers or hire new employees. This is only 1 factory. Envision all of Michigan's factories being able to take advantage of Choice and how that savings would positively impact Michigan's economy and Michigan's communities.

At this point, I'd like to introduce Doug Boyce, EnerCom's Vice President of Sales.

Thank you again for allowing us to share our comments regarding HB 5184.

Electric Choice is Active in 16 States and the District of Columbia

Electric Choice allows a customer to choose their supplier. They can stay with the utility or they can shop the many suppliers out there that are competing to get their business. EnerCom is based in Michigan and has agents in Ohio and Illinois. We are also licensed to do business in Pennsylvania and Maryland and are working

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on expanding even more. Despite the efforts of Michigan's primary utilities, and the efforts of the non-profit organizations they support, to retain a monopoly environment here in Michigan both utilities have unregulated subsidiaries competing in some of these deregulated states for electricity and natural gas.

Consumers Energy's parent company is CMS Energy and their unregulated subsidiary, CMS Enterprises, according to the CMS Energy website, will concentrate its business on independent power generation in the United States, and principally the Midwest. Currently the company has an ownership interest in seven generating plants in Michigan and North Carolina.

DTE Energy Services is the unregulated subsidiary of DTE Energy. According to the DTE Energy Services website, they have been in business since 1994, are headquartered in Ann Arbor and serve customers in 13 states. In fact, EnerCom receives a commission check each month from DTE Energy Services for customers we enrolled with them outside the State of Michigan.

Electric Choice – if Consumers and DTE see Electricity Choice as being acceptable enough to participate in other states, how can they be against it here in Michigan?

Michigan Voters' Respond

Results from a recent poll conducted by Public Opinion Strategies indicate that 58 percent of likely Michigan voters support legislation to eliminate the 10% electric choice cap, while only 20% oppose it.

This was in response to the poll question: "Now, as you may know, there's a proposal being debated in the State Legislature that would deregulate Michigan's electric market by eliminating the ten percent cap on competition and give consumers a competitive choice of who to buy their electricity from. Generally speaking, do you support or oppose this proposal?"

Public Opinion Strategies further said that even after Michigan voters hear top arguments from both sides, support for electric choice remains strong.

In closing, Choice embraces competition resulting in savings to end users, both business and residential customers. Choice encourages innovation and job creation. We are strong supporters of HB 5184. Thank You.

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Respectfully submitted,

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EnerCom, Inc. was founded in Michigan in 1998 and has rapidly grown into a leading alternative energy savings provider for its customers.

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TO: Energy and Technology Committee

RE: March 25, 2014 HB 5184 Hearing – Additional Testimony

Jim Williams and I had previously supplied written copies of our intended testimony – that document is still valid and was partially used in our afternoon testimony. Coming on later in the day, many of the points we intended to cover had already been discussed. We presented the following additional testimony when the hearing reconvened to address different topics that had come up during the day.

Thank you again for letting us testify.

You were given copies of our intended testimony earlier today and several points have already been covered.

Everyone already knows that both Consumers and DTE have unregulated subsidiaries selling under Choice in other deregulated states. We actually get a monthly commission check from DTE Energy Services for customers we enrolled with them outside the State of Michigan.

There have been questions about rates. Within the last month, Jim has renewed two customers that are already participating in Michigan's Electric Choice program; they had enrolled before the participation cap had been reached.

While Michigan's utilities are currently in the 8¢ per kilowatt-hour range for electric supply our two customers (one was a tavern and the other was a party store) renewed at 6.1¢/kwh and 5.6¢/kwh respectfully.

Both well over 20% below the utilities' current rate.

Another quick point. We do offer fixed rate pricing options to residential customers for electricity and natural gas in the other Choice markets we operate in. Residential usage, in aggregate, is the largest usage block of electricity – they are not ignored in Choice markets.

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We've heard a number of references today that nationally, average regulated rates are lower than average deregulated rates.

Electricity IS a commodity, it may be a special commodity but it still follows many of the same rules and just like any other commodity there are a number of factors including proximity to resources, resource mix, transportation costs and others that can cause commodity prices to vary by region. For the most part, this is true whether it is a kilowatt-hour, a gallon of gasoline or a gallon of milk. In season, Michigan has great prices on delicious Michigan tomatoes, sweet corn, blueberries, maple syrup and more – at prices that are envied by other parts of the country. But, Michigan simply has the highest electricity rates in the Midwest region - which includes both regulated and deregulated states.

But even on a national basis, deregulated rates HAVE performed better than regulated rates.

A 2013 report from the American Public Association titled *Retail Electric Rates In Deregulated and Regulated Markets, 2012 Update*, went to great lengths to point out that, nationally, between 1997 and 2012, average deregulated rates increased by 3.3¢ per kilowatt-hour while average regulated rates during that period only increase by 3.1¢/kwh.

But, everything is relative. The same numbers used in that report also show that, nationally, during that period, average deregulated rates increased by 38% while average regulated rates increased a whopping 53% - that's a 15% greater increase in regulated rates!

And, if you look at where rates were in 1997, average deregulated rates were 48% higher than average regulated rates. But by 2012, after years of competitive Choice, average deregulated rates were only 34% higher than average regulated rates – a 14% decrease!

Everyone pretty much agrees that because of several factors (e.g. EPA restrictions, plant retirements, conversion to higher cost fuels for generation, etc.) we will be seeing continued increases in energy prices. And in that environment, competition has clearly worked and has done a better job of keeping rate increases in check than regulated markets.

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In closing, Choice embraces competition resulting in savings for both business and residential customers. Choice encourages innovation and job creation. We are strong supporters of HB 5184 and, according to a recent Public Opinion Strategies poll, 58% of likely Michigan votes support legislation eliminating the 10% participation cap while only 20% oppose it.

Thank you.

Respectfully submitted,

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Retail Electric Rates in Deregulated and Regulated States: 2012 Update

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Retail Electric Rates in Deregulated and Regulated States: 2012 Update

The U.S. Department of Energy, Energy Information Administration (EIA) data show that between 1997 and 2012, increases in retail electric prices were higher in states with deregulated electric markets than in regulated states. EIA has just published full-year 2012 data, allowing a 15-year comparison between deregulated and regulated states.

The deregulated category includes states with retail choice programs, and whose rates are strongly influenced by wholesale power prices in markets under the jurisdiction of the Federal Energy Regulatory Commission (FERC). These states allow end-use customers to choose their electricity provider (retail choice) and no longer have rate caps or other forms of regulatory protections that limit customers' exposure to wholesale market prices. Deregulated states are California, Connecticut, the District of Columbia, Delaware, Illinois, Massachusetts, Maryland, Maine, Michigan, Montana, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, and Rhode Island.

The regulated category includes those states with traditional rate regulation. Ohio has been added to the list of deregulated states as its transitional rate regulation has come to an end.

Average retail rates for each category were calculated by dividing total annual revenue from sales to consumers by total annual sales to consumers.

In most deregulated states, IOUs sold off their electric generating facilities as part of the implementation of the retail choice regime. Over the past few years, the percentage of customers purchasing from an alternative supplier has increased and currently ranges from about 15 to 45 percent in most retail choice states. The distribution utility purchases power from the wholesale market to serve the remaining customers not purchasing from an alternative supplier. (This is generally called default or provider-of-last-resort service). With the exception of part of Montana, all of these states are located in regions where wholesale electricity prices are set through centralized wholesale markets run by regional transmission organizations (RTOs) and Independent System Operators (ISOs).

The following chart and graph cover fifteen years of experience with retail choice programs. 1997 was chosen as the starting year as it represents the last year with essentially no retail choice activity. The decline in rates in deregulated states in 1998 and 1999 most likely reflects the effect of mandated rate decreases in retail choice states, but the decline was short-lived as rates began rising again in 2000.

Rates for both deregulated and regulated states increased steadily for the first half of the previous decade, then increased dramatically in deregulated states between 2005 and 2006 as more rate caps came off and natural gas prices increased. Rates in regulated states also increased, though at a slightly slower pace. The decline in natural gas prices has kept rates in deregulated states relatively flat from 2008-2012. Rates in regulated

states increased slightly by 0.6 cents during this period, but are still 25 percent below rates in deregulated states.

States that implemented retail choice electric plans were generally high cost states, and the hope was that competition by electric suppliers would result in lower rates. In 1997, the states in the deregulated category had average rates that were 2.8 cents per kWh above rates in the regulated states (8.6 vs. 5.8). Unfortunately, the retail choice experience – complete with the combined effect of divestiture of utility generating assets, and exposure of retail consumers to wholesale rates set in RTO markets – has resulted in an even larger gap in 2012, with deregulated states paying, on average, rates that are 3.0 cents per kWh above rates in regulated states (11.9 vs. 8.9).

Average Revenue per Kilowatt-hour: Deregulated vs. Regulated States

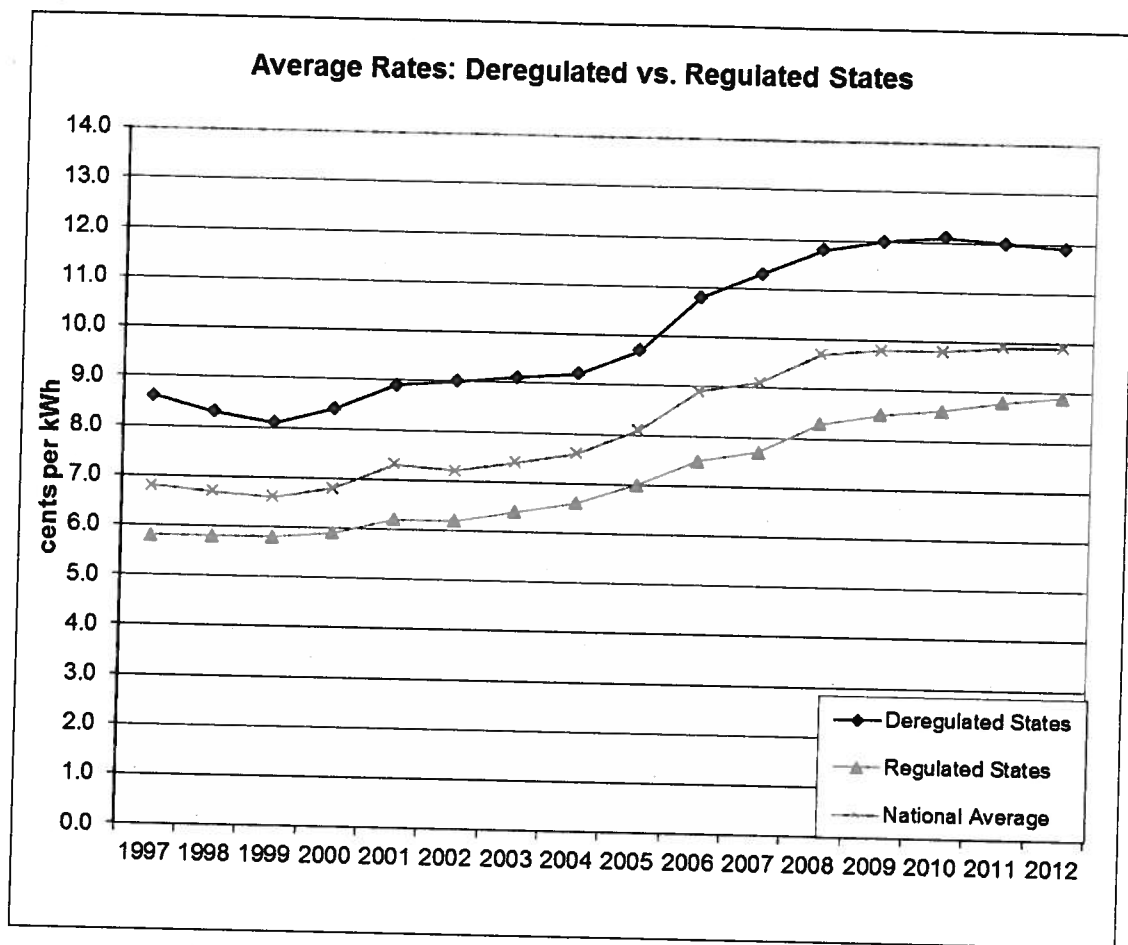
Source: Energy Information Administration, Forms EIA-861 and EIA-826.

	<u>Deregulated States</u> (in cents per kilowatt-hour)	<u>Regulated States</u>	<u>National</u>
1997	8.6	5.8	6.8
1998	8.3	5.8	6.7
1999	8.1	5.8	6.6
2000	8.4	5.9	6.8
2001	8.9	6.2	7.3
2002	9.0	6.2	7.2
2003	9.1	6.4	7.4
2004	9.2	6.6	7.6
2005	9.7	7.0	8.1
2006	10.8	7.5	8.9
2007	11.3	7.7	9.1
2008	11.8	8.3	9.7
2009	12.0	8.5	9.8
2010	12.1	8.6	9.8
2011	12.0	8.8	9.9
2012	11.9	8.9	9.9
<u>Difference, in cents per kilowatt-hour</u>			
1997-2012	3.3	3.1	3.1

Notes: Deregulated states include: CA,CT,DC,DE,IL,MA,MD,ME,MI,MT,NH,NJ,NY,OH,PA,RI

Regulated states include all other states except for Texas.

Texas is included in the National average.

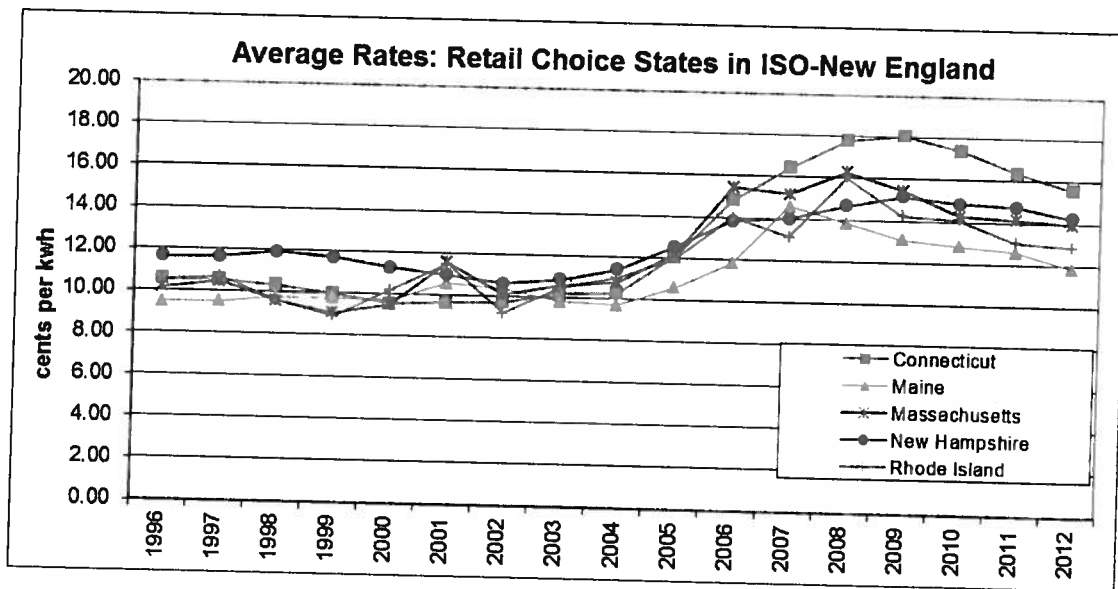


Data for Individual States

Five of the 15 states in the deregulated category are located in the footprint of the New England RTO (known as ISO-New England). The table below shows that rates for all five states were already well above the national average in 1997. Over the 15-year period, both Connecticut and Massachusetts experienced rate increases significantly above the national average. The graph shows that rates in these New England states have declined over the last three to four years. This is most likely a result of steep drops in natural gas prices, as the New England region relies heavily on natural gas for generation.

State Average Customer Rates, in cents per kWh

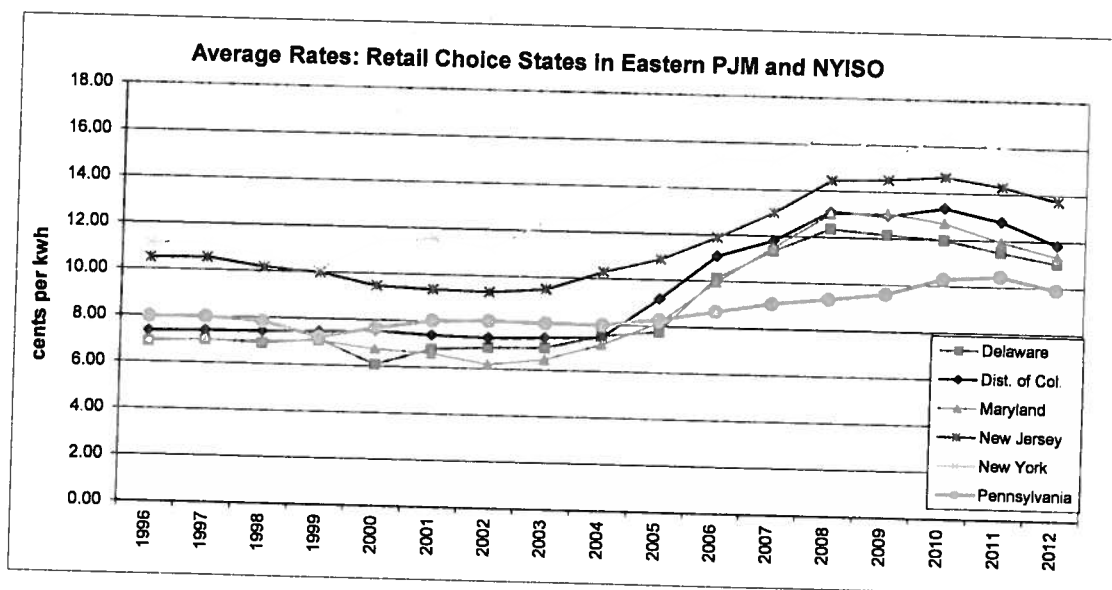
	<u>1997</u>	<u>2012</u>	<u>Difference</u>
<u>ISO - New England</u>			
Connecticut	10.5	15.6	5.1
Maine	9.5	11.8	2.3
Massachusetts	10.4	13.9	3.5
New Hampshire	11.6	14.2	2.6
Rhode Island	10.7	12.9	2.2
National Average	6.8	9.9	3.1



Four retail choice states and the District of Columbia are in the PJM RTO, and the state of New York comprises the New York RTO (known as NYISO). The table below shows that retail rates in all jurisdictions except Pennsylvania increased more than the national average between 1997 and 2012. Most Pennsylvania customers were still subject to rate caps until 2011. Rates for this state increased slightly as the rate caps came off in 2010 and 2011.

State Average Customer Rates, in cents per kWh

	1997	2012	Difference
<u>Eastern PJM and NYISO</u>			
Delaware	7.0	11.1	4.1
District of Columbia	7.4	11.8	4.4
Maryland	7.0	11.3	4.3
New Jersey	10.5	13.7	3.2
Pennsylvania	8.0	9.9	1.9
New York	11.1	15.2	4.1
National Average	6.8	9.9	3.1



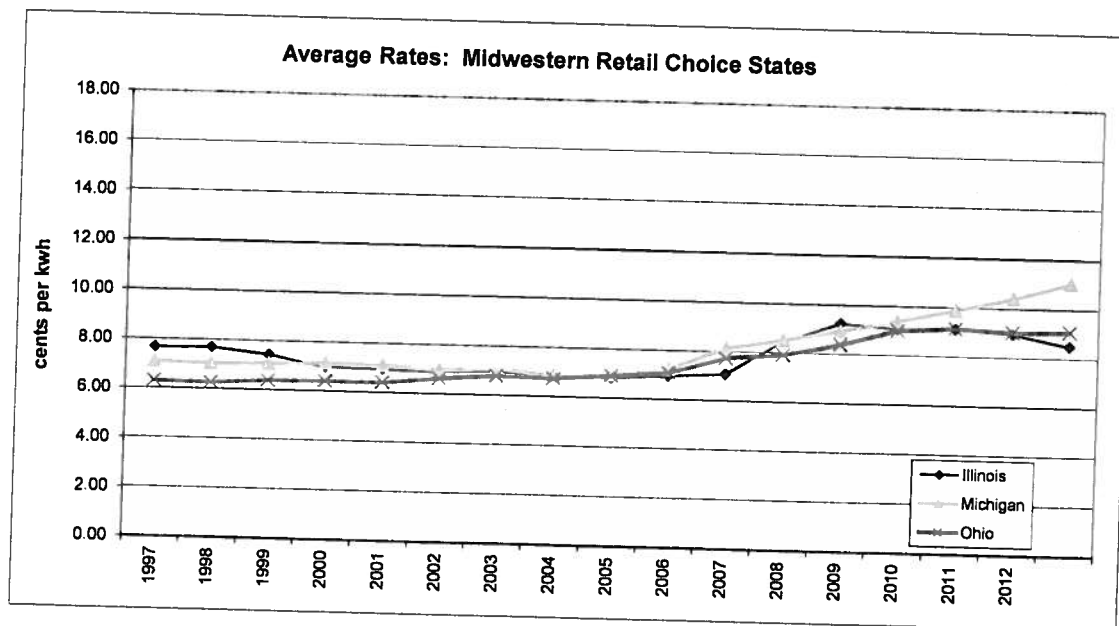
Utilities in the three retail choice states in the Midwest operate in both PJM and the Midwest ISO (MISO). Commonwealth Edison, which serves over 60 percent of the load in Illinois, is in PJM, while the rest of the Illinois utilities, almost all of Michigan, and the northern half of Ohio are in MISO. Rates in Illinois were subject to a rate cap through 2006. The state used an auction process to establish the 2007 rate, and because the results were so high, subsequently negotiated a refund settlement with the largest utilities. The settlement was authorized by a 2007 law that also established the Illinois Power Authority to procure power for the state's IOUs.

Unlike IOUs in most retail choice states, Michigan utilities did not sell their generating assets, and as a consequence, only depend on wholesale power markets for a portion of their customers' power needs. Under the terms of a 2008 law, participation in retail choice programs is capped at ten percent of an IOU's retail sales.

Until recently, Ohio utilities had been subject to transition rate regulation. IOUs were required to offer customers a rate approved by the Public Utilities Commission of Ohio (PUCO) under a cost-plus-based electricity plan. Beginning in 2012 a large share of IOU load was bid at competitive auctions, and a majority of customers had switched to alternative suppliers. Because a large portion of Ohio ratepayers are now directly exposed to wholesale market prices, as of 2012 Ohio is considered a deregulated state.

State Average Customer Rates, in cents per kWh

	1997	2012	Difference
<u>Midwest</u>			
Illinois	7.7	8.5	0.8
Michigan	7.0	11.0	4.0
Ohio	6.3	9.1	2.8
National Average	6.8	9.9	3.1



Only two western states implemented retail choice: California, which comprises the California ISO, and Montana. Both states currently have very limited retail choice programs. Average rates in California have increased more than the national average, while rates in Montana have increased exactly at the national average.

Following the California energy crisis in 2000-2001, retail choice was suspended in California, and the only customers that could choose their providers were those who were on retail choice plans at the time of the suspension. An October 2009 law allowed retail choice for commercial and industrial customers up to the level achieved prior to the suspension of retail choice, and in April 2010, the state Public Utilities Commission set the level at 11 percent of total retail sales.

Montana is the only retail choice state not entirely in an RTO, but the state's IOU sold off all of its generation, so the utility must purchase power in wholesale power markets, including RTO-operated markets. Montana enacted a law in 2007 to end retail choice for all but large customers with more than 5 megawatts of load and those customers on retail choice plans as of October 2007.

State Average Customer Rates, in cents per kWh

	<u>1997</u>	<u>2012</u>	<u>Difference</u>
<u>Western States</u>			
California	9.5	13.8	4.3
Montana	5.2	8.3	3.1
National Average	6.8	9.9	3.1

